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PART I.

IMPORTANT GOVERNMENT ORDERS.

REVENUE SECRETARIAT.

Mysore Co-operative Committee's Report.

READ—

Government Order No. 2836-91—E. C. 125-19-4, dated 13th September 1920, and Government Order No. 4532-3—E. C. 125-19-17, dated 16th November 1920, constituting a Committee to examine the position of the Co-operative movement in the State and to suggest means for its consolidation and further development.

2. Letter No. 1, dated 14th December 1923, from the Secretary to the Committee, submitting the report of the Committee.

3. Government Order No. L. 5568—C. S. 34-28-4, dated 16th January 1924, publishing the report and calling for representations on the proposals contained therein.

4. Letter No. 4990, dated 26—28th April 1924, from the Registrar of Co-operative Societies in Mysore, submitting his views and recommendations on the several proposals made by the Committee.

5. Letter No. 991, dated 5th November 1924, from the President of the Bangalore Central Co-operative Bank, Bangalore, stating that the Bank may be allowed to continue its business as hitherto without any change in its constitution and that, if for any reason this cannot be allowed, the Bank may be permitted to confine its transactions to individual members throughout the State etc.

ORDER NO. I. C. 6492-6563.—C. S. 34-23-11, DATED 30TH MARCH 1925.

The organization of agricultural and rural credit in the State has been receiving the attention of Government for a long time. Of the various measures that were originally undertaken by Government in this direction, the most important were the introduction of the System of Takavi Loans to Agriculturists and the scheme of Agricultural Banks. The latter scheme, although it did not yield successful results owing to certain defects in the working of the Banks, was a forerunner of the present co-operative movement. The Co-operative Credit Societies' Act was passed in British India in 1904 and soon after, the Mysore Government enacted the Mysore Co-operative Societies' Regulation of 1905. The Mysore Regulation was more comprehensive in its scope than the British Indian Act, as it provided for the formation not merely of credit societies as in British India but of other kinds of Societies as well. The co-operative movement in the State is thus about 20 years old. The number of Societies, which was 5 in 1905-06, increased to 1522 by 1921-22, and during the same period, their working Capital rose from Rs. 14,243 to Rs. 81,97,280, and their Reserve Fund from Rs. 132 to Rs. 8,49,532. In the year 1923-24 there were 1541 Societies with a working capital of Rs. 87,44,945 and a reserve fund of Rs. 11,84,902. The movement has become firmly rooted in the State, and the continuous

and steady improvement under all heads from year to year is unmistakable evidence of the strength of the movement.

2. At the meeting of the Legislative Council held on 25th March 1920, a resolution for the appointment of a Committee to review the progress made by the co-operative movement in the State, and to submit suitable proposals for its further development and expansion, was moved by Rajakaryaprasakta Rao Bahadur M. Shama Rao. Government accepted the resolution and appointed a Committee consisting of the marginally noted

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| 1. The Hon'ble Mr. Lalubhai Samaldas, C. L. E., Bombay, (Chairman). | official and non- |
| 2. Dr. L. C. Coleman, M.A., Ph.D., Director of Agriculture. | official gentlemen |
| 3. C. S. Balasundaram Iyer Esq., B.A., Inspector-General of Education. | to carry on |
| 4. Mahomed Zahiruddin Muzul, Esq., B.A., Deputy Commissioner. | the necessary |
| 5. Rajakaryaprasakta Rao Bahadur M. Shama Rao, M.A., retired Inspector-General of Education. | investigations |
| 6. G. K. Devadhar Esq., M.A., Vice-President, Servants of India Society, Poona. | and makes suitable |
| 7. T. Adinarayana Chetty Esq., Bar-at-law, President, Salem District Urban Bank Ltd. | recommendations |
| 8. Karnick Krishnamoorthy Rao, Esq., Zamindar, Bangalore. | for the |
| 9. C. Subba Rao, Esq., B.A., B.L., Advocate, Shimoga. | consideration |
| 10. R. Ranga Rao, Esq., B.A., B.L., Registrar of Co-operative Societies (Secretary). | and orders of |
| | Government. |

3. The main duties of the Committee were to examine:—

- (a) the progress of co-operation in all its stages and aspects;
- (b) the effect of indebtedness and the minute fragmentation of holdings on agriculture;
- (c) the organisation, constitution, management, inspection and audit of societies of all kinds, both primary and central;
- (d) the development of non-credit co-operation, more especially in connection with agriculture and small industries;
- (e) the extension of co-operation for House building, Cattle-breeding, Insurance, Dairying and other similar purposes;
- (f) the disposal of Co-operative disputes and
- (g) any other matter of fundamental importance to the movement.

4. The Committee toured in all the Districts of the State, inspected 120 Societies of all types, examined 750 witnesses of all classes, and also obtained the opinions of several gentlemen on the points on which information was required. They attended a conference of representatives of Co-operative Societies in the Malnad, specially convened at Chikmagalur, and met a large number of people able to furnish information relating to the difficulties peculiar to the Malnad. They also attended a conference of Co-operators held at Kolar.

5. The Committee have carried out a detailed investigation into the several questions referred to them and have submitted a comprehensive report summarising the history and present conditions of the Co-operative movement in the State and making definite recommendations regarding the lines on which the Department of Co-operation should be developed in future, and the action to be taken by the Government in this respect.

6. The recommendations of the Committee may be classified under three main heads:—

- (1) those on which action has to be taken by the Department;
- (2) those requiring amendment of the Co-operative Societies' Regulation and the Rules thereunder; and
- (3) those which are within the Government's powers of disposal.

7. The recommendations of the Committee on which the Department has to take action may be grouped under one or other of the following heads:—

- (i) Closing bad Societies.
- (ii) Organisation of Societies, only in suitable places and under favourable conditions.
- (iii) Proper supervision and inspection of Societies by the Department.
- (iv) Propaganda work for spreading the principles of co-operation.
- (v) Development of Agricultural, Industrial, House-building and Sericultural Co-operation.
- (vi) Determining the resources of Societies and providing them with credit.
- (vii) Establishment of co-operative sale societies.
- (viii) Fixing the limit of Reserve Fund to be kept in a readily realizable form.
- (ix) Restricting organisation of grain banks to places where there is a real need for them.
- (x) Development of Stores.
- (xi) Organization of societies for the benefit of the depressed classes.
- (xii) Liquidation of societies and the disposal of suits.

Government generally accept the recommendations of the Committee on the above points and note that the Registrar of Co-operative Societies is already taking action on these lines. A statement showing the action that is being taken by the Registrar is printed as an annexure to this order. Government direct that a report should be submitted for the information of Government every half-year as to the progress made by the Department in giving effect to the suggestions of the Committee.

8. As regards the second group, the Committee have recommended that the following measures which require the amendment of the Co-operative Societies' Regulation and the Rules thereunder should be adopted in order to improve the working of the Societies *viz* :—

(1) Power should be conferred on the Registrar to levy of a fine to the extent of Rs. 50 on any person summoned to appear before him in connection with the business of a society but who fails to appear without satisfactory reasons.

(2) No person should be allowed to become a member of more than one society of the same kind.

(3) The membership of Societies should not exceed a certain limit, so as not to become unwieldy.

(4) Every society should keep on hand 30 to 40 per cent of its current deposits to meet the demands of the depositors and it should also make satisfactory arrangement to meet its dues on fixed deposits.

Government recognise the need generally for the amendment of the Co-operative Societies' Regulation. The proposals referred to in sub paras 2, 3 and 4 are accepted, but as regards sub para 1, Government observe that there are, at present, no clear orders as to the procedure to be followed by the officers of the Co-operative Department in enquiring into co-operative disputes. It is necessary that specific instructions should be prescribed which every officer of the Department, who enquires into co-operative disputes, should follow and that provision should be made in the rules to enforce the attendance of witnesses and parties. The procedure to be followed in regard to the disposal of disputes may well be that prescribed for formal enquiries in the Land Revenue Code, and as regards the enforcement of the attendance of parties and witnesses, the procedure prescribed in the Civil Procedure Code may be adopted. The Registrar is requested to submit draft amendments to the Co-operative Societies' Regulation on the lines indicated above, for the consideration of the Government.

9. *Association of Honorary Workers in the work of the Department.*—Turning to the points requiring the orders of Government, the Committee refer to the necessity of enlisting the sympathy and co-operation of non-official gentlemen in the development of co-operation. They recommend that a band of honorary workers from among the class of retired officers, important land-owners, lawyers, missionaries and merchants may be organised and encouraged to take up co-operative work and that they may be given suitable travelling allowances, special work being recognised by the grant of certificates, titles and other marks of appreciation and distinction. It is suggested that they may be styled Honorary Assistant Registrars and entrusted in particular, with the work of disposing of Co-operative suits. Government agree with the Committee that the sympathy and active support of educated non-officials, who have the capacity and leisure to undertake such work, should be enlisted in a larger measure than heretofore; for the development of the co-operative movement in the State. Government sanctioned in March last a scheme for the appointment of Honorary Organisers of Co-operative Societies and the following duties have been assigned to them:—

(1) Organising special types of Societies.

(2) Inspection of societies and giving proper guidance to the Managing Committees of Societies, whenever they go out on tour.

(3) Propaganda work to popularise and extend the movement.

(4) Investigation of loan applications in special cases wherever it requires the presence of a higher officer than an Inspector of Co-operative Societies.

Five gentlemen—one a retired Assistant Commissioner, three Members of the Legal Profession and the fifth, the Vice-President of a Municipality—have since been appointed as Honorary Organisers. They have been given the same rates of travelling allowances as are admissible to the Assistant Registrars of the Department. The disposal of co-operative disputes has not been included among the duties of the Honorary Organisers as the Registrar with the present staff of four Assistant Registrars and two Sub-Assistant Registrars can easily attend to the work.

A Co-operative Institute has been recently organized by Rajakaryaprasakta Rao Bahadur M. Shama Rao, one of the non-official Members of the Committee and the

President of the Mysore Provincial Co-operative Bank, on the lines of similar institutions in Madras and Bombay, for carrying on propagandistic work among the masses by means of pamphlets, journals, lectures etc.

10. *Industrial Co-operative Societies.*—The Committee recommend that a Special Officer should be appointed to guide and advise Weavers' Co-operative Societies on the technical and commercial sides of their work. Government consider that the appointment of a special officer is not necessary for the present, and that it will be enough if the special agency in the Department of Industries and Commerce for developing weaving in the State is utilised for this purpose. The Director of Industries and Commerce is requested to give the necessary assistance to the Department of Co-operation in this matter.

To ensure the success of Industrial Co-operative Societies, the Committee consider it advisable to constitute a Board consisting of three officers—the Director of Agriculture, the Director of Industries and Commerce and the Registrar of Co-operative Societies—and two non-official gentlemen intimately connected with the commercial and industrial activities of the State, to carry on preliminary investigations regarding the selection of suitable areas for starting an industry, the plant best suited for the purpose and the proper men to work it. Before passing orders on this matter, Government would like to have the opinion of the Board of Industries and Commerce to whom the question will be referred. Their report will be awaited.

11. *House building Co-operative Societies.*—The Committee observe that Co-operative Societies organised on the ordinary lines are not likely to be of much help to the poorer classes and to men of limited means, to build suitable houses. They urge that members of House-building Societies are generally men of limited means, who cannot be expected to find more than a very small part of the cost of the houses, and that while large capital is required for House-building Co-operative Societies, the central financing institutions cannot offer them much help, as the amounts lent will be locked up for long periods and the required funds cannot easily be raised by the issue of debentures either, under existing conditions and recommend that Government should render financial assistance to Co-operative House-building Societies and set apart every year a sum of one lakh of rupees for the purpose.

Government are alive to the importance and necessity of giving State-aid to such Societies. They have already recognised this fact in Government Order No. 6027-8—E. C. 100-19-13, dated the 5th January 1921 and have offered to give assistance to Co-operative Societies, either rural or urban, which may be formed for house-building purposes. Government will be prepared to render financial assistance to such institutions as far as possible provided the Societies have sufficient financial stability and are likely to benefit a large number of people. In accordance with this policy Government have sanctioned a loan of Rs. 10,000 to the Non-Gazetted Officers' Association Co-operative Society.

In connection with the grant of relief to those who lost their houses owing to the heavy floods last year, Government have offered substantial encouragement for the organization of House-building Co-operative Societies. A loan of a lakh of rupees has been given to two House-building Co-operative Societies—Rs. 60,000 to the Society formed at Shimoga and Rs. 40,000 to the one formed at Nanjangud. Loans aggregating Rs. 25,000 have been promised to three House-building Co-operative Societies which are being formed at T. Narsipur, Talkad and Ramanathpur.

The Municipalities also should help House-building Co-operative Societies in regard to the acquisition of sites for them and make use of them as active agencies for Town Improvement by giving special concessions to the extent possible.

12. *Establishment of an Apex Bank.*—The Committee are of opinion that there should be only one Provincial Bank to finance the Co-operative movement in the State and that it should adopt the following principles:—

- (1) The majority of shares should be held by Societies.
- (2) The Societies should have a real voice in the management of the Bank through their representatives.
- (3) Provision should be made for the buying off of individual share-holders by Societies.
- (4) Confining the grant of loans to Societies only.
- (5) Limitation of dividends.
- (6) Proper inspection and supervision of affiliated Societies.
- (7) Maintenance of sufficient fluid resources.
- (8) Voting to be by individuals and not by shares *i. e.*, one man, one vote.
- (9) No proxies to be allowed.

They suggest three ways of organising such a Central Bank.

- (i) The amalgamation of the Mysore Provincial Co-operative Bank and the Bangalore Central Co-operative Bank,
or
- (ii) The creation of a new Apex Bank,
or
- (iii) The conversion of the Central Bank into an Urban Bank dealing only with individuals and the reconstruction of the Provincial Bank as a new Apex Bank.

They are in favour of the third alternative as the Central Bank is opposed to the amalgamation and is likely to choose the alternative of confining its activities to individual share-holders. The Registrar is in agreement with the Committee. Government consider that it is necessary that there should be a properly organised Apex Bank to attend to the financing of the Primary Societies in the State. The Provincial Bank may be converted into an Apex Bank after making proper arrangements for taking over all the existing assets of the Central Bank at a valuation to be made by a Committee of five arbitrators — one, a representative of the Central Bank, one, of the Provincial Bank and three independent arbitrators interested in the progress of the Co-operative movement in the State. The Registrar is requested to take immediate action on the above lines. The question of giving financial aid to the new Apex Bank will be considered after its organization is completed. As regards the Central Bank, Government accept the proposal of the Bank to convert itself into an Urban Bank dealing only with individual share-holders throughout the State; but to avoid competition with primary Societies in rural areas, it is necessary that the said Bank should not grant loans of a smaller amount than Rs. 2,000 to individual share-holders outside the Bangalore City.

13. *Land Mortgage Bank.*—The Committee have made a thorough investigation of the question of agricultural indebtedness, specially in the Malnad, and have suggested the formation of a Land Mortgage Bank organised on Co-operative lines. The question of starting a Land Mortgage Bank in the Malnad has been under the consideration of Government for a long time past. While revising the Malnad Improvement scheme, they have already expressed their sympathy with the scheme generally, and directed that, before taking definite action in the matter, a general economic investigation of at least one typical taluk in each of the Districts of Shimoga, Kadur and Hassan should be made by an Officer specially appointed for the purpose. They have since appointed an Economic Survey Officer for carrying on the investigation and the question of organising a Land Mortgage Bank will be considered after the results of the investigation are placed before Government.

14. *Sub-Division of Agricultural holdings.*—The Committee observe that from their experience of other parts of India, Mysore will have eventually to face the problems arising from the excessive fragmentation of agricultural holdings, even if they do not exist at present. Government direct that this matter be referred to the Agricultural Board for investigation and suggestion of remedies.

15. *Execution of decrees.*—The Committee suggest that an option may be given to the holder of a decree, passed by the Registrar of Co-operative Societies, to have it executed by a Civil Court or by the Revenue authorities. It is doubtful if the execution of a decree by a Civil Court will be more expeditious than its execution by the Revenue Department. As a matter of fact, decrees have seldom proved infructuous when executed through the Revenue Agency, which has not been the case with civil court decrees. Neither the Provincial Co-operative Conference nor the Representative Assembly was in favour of entrusting the execution of decrees, passed by the Registrar of Co-operative Societies, to Civil Courts. In these circumstances, Government consider that the present system of execution of decrees through the Revenue Authorities may continue.

16. *Audit of Accounts of Societies.*—Government agree with the Committee that it is desirable to require all Societies which undertake their own audit to seek the services of certified Auditors and direct that a beginning be made immediately by requiring that in future the accounts of all Urban Societies should be audited by certified auditors only.

17. *Non-Official Agency and levy of contribution from Societies.*—Another suggestion of the Committee is that a contribution should be levied at the rate of 5 per cent of the net profits of every co-operative institution making a profit of over Rs. 100 a year and that a staff of supervisors should be maintained out of the fund thus created, in order to supplement the work of the Departmental staff in the guiding, training and supervision of Societies. The Registrar is requested to ascertain the views of Co-operative Institutions in the matter at the next provincial Co-operative Conference.

18. *Co-operative Training.*—The Committee recommend the opening of a Co-operative Training School under the control of the Registrar, to teach both officials and non-officials engaged in the management of Co-operative Societies, the elements of Economics, Banking and the theory and practice of Co-operation. The Registrar recommends that the Institution may be started under the auspices of the Apex Bank which is proposed to be formed. He proposes to deliver a series of lectures on co-operative subjects in connection with the training school.

tion with the District and Taluk Co-operative Conferences where delegates from a large number of Societies assemble. He also intends arranging for a short course of training for the Co-operative Inspectors and Honorary Supervisors. Government consider that these measures are sufficient to satisfy the present demand and that no separate school, financed solely by Government, is necessary at present.

19. *Re-organization of the Co-operative Department.*—The Committee consider that a re-organization of the Co-operative Department is necessary and recommend that the staff of the Department for about 1500 Societies should consist of 1 Registrar, 1 Deputy Registrar, 5 Assistant Registrars, 35 Inspectors and Auditors and 25 Clerks. The Co-operative Department was re-organized in March 1923, and again in July 1924. Government consider that the present staff of the Department which consists of 1 Registrar, 4 Assistant Registrars, 2 Sub-Assistant Registrars, 30 Inspectors and 25 Clerks, is sufficient to cope with the work of the Department.

20. *Relation of Government servants to the movement.*—The Committee, while recognising that under existing rules Government servants can sit on the managing boards of all Co-operative Societies other than the Central Institutions, have suggested the removal of the bar in respect of the latter also. Government servants are not as a matter of fact, prohibited from serving on the managing boards of the Central Institutions, but have only to obtain the previous sanction of Government for it. Government have been granting sanction in all deserving cases and many Government servants are actually serving as directors of the Central Institutions. Government consider that it is desirable to continue the existing practice.

21. *District Officers and the Co-operative Movement.*—Regarding the relation of Government Officers engaged in District Administration to the Co-operative Movement the Committee are of opinion that they should stand as well-wishers of the Co-operative Movement, equipped with the necessary knowledge and sympathy, but that they should not have any intimate connection with the management nor assume any direct responsibility. Government desire that all District Officers should help the movement and should give the societies in their jurisdiction their active support and sympathy. It is no part of their duty to interfere in the internal administration of societies. They should recognise that the societies constitute a new factor in District Administration, keep in close touch with societies and help them with useful advice and suggestions. The Officers should preside at conferences whenever possible, attend general meetings and help in securing honorary workers. The Officers of the Co-operative Department should also keep themselves in close touch with the officers of the Revenue Department.

22. *Co-operative Societies and Takavi Loans.*—The Committee have expressed the opinion that considerable use can be made of co-operative societies in connection with the grant of takavi loans and have recommended that a definite amount, out of the annual allotment for takavi loans may be placed at the disposal of the Registrar who may at his discretion, grant them to co-operative societies for distribution to raiyats. The Revenue Commissioner appears to have no objection to make use of co-operative societies as agencies for the distribution of Takavi loans. The Registrar of Co-operative Societies reports that this system is being followed in the Bombay Presidency with success and recommends that out of the allotments for takavi loans for each District, a certain percentage may be placed at the disposal of the Registrar who will arrange to grant them to the raiyats through co-operative societies and recover them in easy instalments according to the rules. The proposal commends itself to Government, and may be adopted in one or two Districts in which the co-operative societies are working satisfactorily. The Registrar is requested to submit detailed proposals in the matter in consultation with the Revenue Commissioner.

23. *Co-operative Societies and the depressed classes.*—The Committee observe that the special societies formed for the exclusive benefit of the depressed classes suffer from two draw-backs, viz., want of funds to run the societies on an efficient basis, and lack of men among their own members to undertake the management. They advocate that special arrangements should be made if their needs are to be satisfactorily met. They accordingly recommend that specially selected inspectors should be asked to manage groups of these societies and that a sum of a lakh of rupees should be sanctioned by Government for being advanced to the co-operative societies formed for the depressed classes. Government accept the principle that special measures are necessary for the amelioration of the condition of the depressed classes and their Societies. The Registrar is requested to submit definite proposals in the matter.

24. The report which the Committee have submitted to Government is an interesting document containing a learned review of the origin and development of the co-operative movement in the State and valuable suggestions for developing the movement further and remedying existing defects and drawbacks. Government desire to place on record their high appreciation of the valuable services rendered by the members of the Committee. Their

special thanks are due to the Hon'ble Mr. Lalubhai Samaldas C. I. E., the Chairman, and the non-official members of the Committee for the public spirit shown by them in undertaking the work at much sacrifice of their valuable time and at considerable personal inconvenience to themselves.

K. V. ANANTARAMAN,
Secretary to Government,
Revenue Department.

ANNEXURE.

Serial No.	Para of the Report	Recommendations of the Co-operative Committee requiring action on the part of the Co-operative Department	Action that is being taken by the Department
1	2.	3	4
		<i>I. Agricultural Credit Societies.</i>	
1	26	Skeleton Societies or Societies that have not commenced work should be wound up at once.	This is being done. Efforts are being made to collect the assets of such Societies with a view to enable them to go into voluntary liquidation.
2	27	Certain conditions should be fulfilled before new Societies are registered.	Action is being taken for issuing a circular to the Inspectors and Honorary Organisers.
3	35	The inspections of the Department must be adequate and the work and duties of the Committee Members must be clearly explained to them by the Inspecting Officers.	This is being done.
4	46	Every attempt should be made to attract large deposits and to make the management of the Societies as sound as possible.	This is being done.
5	49-51	The Societies must have sufficient working capital for meeting the requirements of members for current agricultural operations.	This is the present policy of the Department. The debt redemption question is now relegated to the background.
6	55	A sufficient portion of the reserve fund of Societies should be kept in a fluid shape.	This is being insisted on now.
7	58	Loans should not be granted on the security of shares.	A circular in this respect is under issue (to the Co-operative Societies).
8	61 & 62	The Departmental Officers should see that the managing Committees of Societies properly scrutinise the purposes of loans.	Necessary instructions will be issued to the Societies and the Inspectors.
		<i>II. Non-Agricultural Societies.</i>	
9	77	A few Societies may make a beginning in the discounting of Hundis to tradesmen and merchants.	Some of the good Societies in Urban area are being asked to take up this line of work.
		<i>III. Non-Credit Co-operative Societies.</i>	
10	79-91	Societies for the supply of seeds, manure and Agricultural Implements should be increased.	The Department has been concentrating its attention on this matter. The success achieved is promising and vigorous attempts are being made to enlarge the operations of such Societies.
11	95	Much propaganda work is necessary among weavers and weavers' Societies should be started on a large scale.	This is being done.